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SIPDIS

C O R R E C T E D C O P Y (AMB SIG ADDED)

SIPDIS

SENSITIVE  
STATE FOR NEA/ELA, NEA/RA, EB/IDF AND EB/OMA  
USAID FOR ANE/MEA MCLOUD AND DUNN  
USTR FOR SAUMS  
TREASURY FOR NUGENT AND HIRSON  
COMMERCE FOR 4520/ITA/ANESA/TALAAT

E.O. 12958: N/A

TAGS: ECON EFIN ETRD EINV EG

SUBJECT: EGYPT: GOE ANNOUNCES SHORT LIST OF BUYERS FOR BANK OF ALEXANDRIA, MAKES PROGRESS ON OTHER FINANCIAL SECTOR MOU BENCHMARKS

Sensitive but Unclassified. Not for Internet distribution.

REF: A. Cairo 1838  
B. Cairo 3746

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Summary  
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¶1. (U) On August 2 the GOE announced a short-list of prospective buyers for the state-owned Bank of Alexandria (BOA). Final bids are due from the six short-listed entities by the end of September. GOE contacts have provided various estimates of when the BOA sale will be completed, but post estimates it will not be done before the end of the year. Announcement of the short-list is a step forward in the privatization of BOA, one of the benchmarks in the USG-GOE Financial Sector MOU. The USAID Mission and GOE are close to finalizing a Monitoring Program for the Financial Sector MOU that will specify the documentation needed to certify that this and other benchmarks in the MOU have been met. End summary.

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GOE ANNOUNCES SHORT-LIST OF BIDDERS  
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¶2. (U) On August 2, the Central Bank of Egypt (CBE) and the Ministry of Investment announced a short-list of six financial entities that will be allowed to continue in the competition for purchase of BOA. The six candidates will now be allowed to carry out their own due diligence on the bank in preparation for submitting final financial and technical bids on the bank. The short-listed banks/consortia are:

- the Arab Bank Group (based in Jordan) and the Arab National Bank of Saudi Arabia;
- Mashreqbank (based in Dubai) and Dubai Investment Group;
- Commercial International Bank (Egypt);
- BNP Paribas (France);
- Sanpaolo IMI (Italy);
- EFG Eurobank (Greece).

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TIMING OF THE SALE  
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¶3. (SBU) Final financial and technical bids from the six candidates

are due to the GOE at the end of September. Local contacts have given varying estimates of when sale of BOA will be completed. Tarek Amer, Deputy Governor of CBE, told econoff that the sale would be completed by the end of the current calendar year. He stressed that although the process has moved slower than some would like, the GOE is committed to ensuring that the privatization process is carried out in a manner that maximizes the benefit to all parties. The privatization of BOA will set a precedent for future privatization of public banks. According to Amer, any perception on the part of the business community or the Egyptian public that the sale was not affected in a transparent manner would lend credence to the voices criticizing the GOE's broader privatization program (Ref B).

¶4. (SBU) Other contacts were more sanguine about the possibility of concluding the sale quickly. Ziad Bahaa el Din, Chairman of the Egyptian General Authority for Free Zones and Investment, told econoff and a visit U.S. Congressional staff delegation that the sale would most likely be concluded by October, soon after final bids were received. Bahaa el Din pointed out that progress in putting the bank up for sale was slow because the GOE wanted BOA to be in sound financial condition before it was placed on the market. He was confident that bidders would be eager to conclude the sale quickly, as the bank's branch system was so extensive that the purchaser would have an immediate presence throughout the country.

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COMMENT  
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¶5. (SBU) Announcement of the short-list of bidders is a step forward for the GOE in meeting its commitment under the Financial Sector MOU to privatize BOA. By undertaking their own due diligence, the six bidders will invest their own resources in the competition to purchase the bank, an indication that they take the GOE's commitment to sell BOA seriously. The GOE's own audit and due diligence on BOA were completed in late 2005 and the bank's NPL portfolio (LE 6.9 billion) was settled by the Ministry of Finance and CBE in February 2006, using proceeds from the Telecom Egypt IPO in December 2005.

¶6. (SBU) In addition to progress on sale of BOA, the GOE has made progress on several other benchmarks in the MOU. The GOE and USAID Mission are also close to agreement on the terms of the DSP-II Monitoring Plan that will specify the documentation needed to certify that benchmarks have been met. Post will report septel on progress toward meeting the other benchmarks of the MOU. End Comment.

RICCIARDONE